

Nixon Project, NSC,
Country Files, Middle East,
India, Ref 596,
Vol II, 11/68-8/70

DECLASSIFIED
PA/HO, Department of State
E.O. 12958, as amended
June 9, 2005

THE WHITE HOUSE

WASHINGTON

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *HK*
SUBJECT: FY 1970 Assistance Program for India

Secretary Rogers (Tab A) requests your approval for a \$193 million AID package for India, which would bring our total aid to India this year to \$408 million. This is about the same as last year's level and one-half of the level of 1968 and 1967. We should announce our pledge at the May 26 meeting of the aid-India consortium sponsored by the World Bank.

The World Bank has estimated that India will need about \$1.2 billion of new aid to complement her \$2 billion in export earnings this year. The aid is aimed at supporting India's long-term economic development, by financing an increase in imports of industrial goods and fertilizer, and helping India meet her foreign debt service requirement. The U.S. share of development loan assistance to India represents about 29 percent of the consortium total, a drop from the 40 percent figure of past years due to increases in the aid of other consortium donors and decreases in our own contribution.

The new aid commitments proposed for India this year include:

- \$193 million new AID funds
- \$35 million AID loans approved earlier
- \$180 million PL 480 sales agreement approved earlier
- \$408 million total U.S. aid

- \$350 million from other consortium countries
- \$300 million from IDA and World Bank
- \$1,058 million total world aid

The new \$193 million would consist of:

-- About \$50 - \$90 million in loans for imports of fertilizer and other agricultural imports to support a vigorous government program to increase food grain production.

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-- About \$70 - \$110 million in loans to provide raw materials and equipment for the private sector which accounts for close to 90 percent of Indian industrial production and is a vital element in its economic development, though it continues to be hampered by an extensive system of controls.

-- \$8 million in Technical Assistance grants, primarily for agriculture and family planning.

-- \$25 million in grants for population programs to supplement India's own program, for which it has increased expenditures from \$2 million in 1963/64 to a budgeted \$56 million in 1969/70.

Although heavily dependent on foreign aid as a source of foreign exchange, India has taken steps to increase export earnings, re-schedule her large debt repayment load, and mobilize domestic resources to a greater extent. Progress has been good and, whereas foreign aid a few years ago financed 53 percent of India's foreign exchange needs, it now finances only 40 percent.

RECOMMENDATION:

That you approve State's request for a new \$193 million economic assistance program for India. Budget (Tab B), Agriculture, and Treasury concur.

Approve

AK for KN

Disapprove

MAY 19 1970

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